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CENTRAL INTELLIGENCE AGENCY

REPORT

INFORMATION REPORT

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SUBJECT Economic Discord within the Government

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1. Further to the removal of Franc Leskovsek,<sup>1</sup> Todor Vujasinovic, and Rato Dugonjic from the Federal Government scene, it is reported that these removals were a result of a basic divergence of opinion within the Politburo and the Central Committee between two groups.<sup>2</sup> The first group favors close cooperation with the West and a deflationary economic policy such as is now being followed, while the second group favors a neutral stand toward the Western Powers, and an inflationary economic policy.
2. The first group, led by the present Minister of Finance Melentije Popovic and Svetozar Vukmanovic, member of the Serbian Politburo and present Minister-President of the Council for Industry, recently gained ground against the second group led by Leskovsek, Vujasinovic and Dugonjic.
3. The report that Leskovsek has resigned from the Politburo has not yet been confirmed, and in any case, such a move would require the formal approval of the Central Committee of the Yugoslav Communist Party.
4. Boris Kidric was initially in favor of the inflationary policy because of his desire to save the standard of living of the population from further deterioration resulting from continuing under-production, but under the influence of Marshal Tito, he turned to the deflationist policy. His situation however, remains delicate, and his prestige has declined. Nevertheless, Kidric is convinced that sooner or later his earlier attitude will have been proved correct by reason of protest from workers and peasants against the severe measures being put in force by the deflationists.

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